



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

March 1, 2022

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh, North Carolina 27699-4300

Re: Docket No. W-1300, Sub 60

Dear Ms. Dunston:

In connection with the above-captioned docket, I transmit herewith for filing on behalf of the Public Staff the following:

1. The Public Staff's Motion for Leave to File Supplemental Testimony and Response to ONSWC's Motion Filed on February 22, 2022; and
2. Proposed Supplemental Testimony and Exhibits of Public Staff Water, Sewer, and Telephone Division Director Charles M. Junis and Public Staff Financial Analyst Iris Morgan.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Reita D. Coxton
Staff Attorney
reita.coxton@psncuc.nc.gov

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DOCKET NO. W-1300, SUB 60

In the Matter of

NOW COMES THE PUBLIC STAFF – North Carolina Utilities Commission

1. On June 29, 2021, Old North State Water Company, LLC (ONSWC

2. On July 26, 2021, the Commission declared the proceeding to be a general rate case and suspended rates for up to 270 days.

3. On September 21, 2021, the Commission issued an *Order Establishing Discovery Guidelines, Scheduling Hearings, and Requiring Public Notice* (Procedural Order) which, among other things, directed ONSWC to file an update to its actual revenues, expenses, rate base, and cost of capital for the period ending August 31, 2021 with the Commission on or before September 20, 2021, required the Public Staff and intervenors to file direct testimony on or before October 28, 2021, and ordered the Company to file its rebuttal testimony and exhibits, if any, by November 12, 2021.

4. On November 16, 2021, the Commission issued an *Order Rescheduling Expert Witness Hearing and Extending Time to Provide Testimony* (Rescheduling Order) which, among other things, rescheduled the expert witness hearing to March 8, 2022; required the Public Staff and intervenors to file direct testimony on or before February 1, 2022; and ordered the Company to file its rebuttal testimony and exhibits, if any, by February 15, 2022. The Rescheduling Order also required the Company to consult with all other parties and file, no later than Friday, February 18, 2022, a list of witnesses to be called at the expert witness hearing, the order of witnesses, and each party's estimated time for cross-examination. The Rescheduling Order further ordered the remaining parties to make a filing indicating their points of disagreement with the Company's filing, if consensus was not reached, no later than Tuesday, February 22, 2022.

5. On February 1, 2022, the Commission issued an *Order Granting Motion of the Public Staff for Extensions of Time*, which, among other things, extended the time for the filing of intervenor and Public Staff testimony and exhibits to February 8, 2022, and extended the time for the filing of Company rebuttal testimony and exhibits, if any, to February 22, 2022.

6. On February 8, 2022, the Public Staff, in relevant part, filed direct testimony and exhibits of Public Staff witnesses Iris Morgan and Charles M. Junis.

7. In relevant part, Morgan and Junis' direct testimony identified certain issues with the Company's treatment and recording of in-service dates, accumulated depreciation, contributions in aid of construction (CIAC), accumulated amortization, and CIAC income tax gross-up, and, given the potential, wide-ranging rate ramifications, highlighted the potential need for the Public Staff to file supplemental testimony to properly determine rate base, the service revenue requirement, and recommended rates.

8. The aforementioned accounting issues are novel and complex, and required extensive analysis and review from the Public Staff.

9. The Public Staff and the Company have worked diligently to address these accounting issues, and the Company has provided revised utility in plant service, CIAC, and CIAC income tax gross up-records, along with other adjustments to its schedules.

10. On February 22, 2022, the Company filed rebuttal testimony and exhibits from John McDonald and Laurie Oakman, which, among other things,

accepted and incorporated the Public Staff's recommendations to address these accounting issues.

11. As detailed in the Public Staff's proposed supplemental testimony, the Company has largely addressed these outstanding, accounting issues in an acceptable manner.

12. The Public Staff, therefore, wishes to file supplemental testimony to (1) provide the Commission with its revised rate base, service revenue requirement, and recommended rates and (2) offer ONSWC further guidance, as discussed with ONSWC, on how to address CIAC income tax gross-up.

13. On February 24, 2022, ONSWC filed a *Motion to File Rebuttal to Public Staff Supplemental Testimony* (Rebuttal Motion).

14. Among other things, the Rebuttal Motion seeks a Commission order permitting the Company to serve discovery on the Public Staff regarding its supplemental testimony and exhibits, requiring the Public Staff to respond as promptly to the Company's discovery as possible, and permitting the Company to file rebuttal testimony by March 4, 2022, with respect to any issues that are in the Public Staff's supplemental testimony.

15. The Public Staff takes no position with respect to the Rebuttal Motion, but, as expressed in communications with the Commission and the Company following the filing of the Rebuttal Motion, would respectfully request that, if the Rebuttal Motion is granted, the Public Staff be granted an opportunity to serve discovery on the Company regarding the Company's rebuttal testimony

to the Public Staff's proposed supplemental testimony and that the Company be required to respond to such discovery as promptly as possible.

WHEREFORE, for the reasons set forth above, the Public Staff respectfully requests that (1) the Commission grant the Public Staff leave to file the Supplemental Testimony and Exhibits of Charles M. Junis and Iris Morgan and accept, for filing, the Public Staff's proposed Supplemental Testimony and Exhibits of Charles M. Junis and Iris Morgan, which have been filed contemporaneously with this Motion for the Commission's consideration; and (2) if the Commission grants the Rebuttal Motion, the Commission grant the Public Staff an opportunity to serve discovery on the Company regarding the Company's rebuttal testimony to the Public Staff's proposed supplemental testimony and require the Company to respond to the Public Staff's discovery as promptly as possible.

Respectfully submitted this 1st day of March, 2022.

PUBLIC STAFF
Christopher J. Ayers
Executive Director

Dianna W. Downey
Chief Counsel

Electronically submitted
/s/ Reita D. Coxton
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CERTIFICATE OF SERVICE

I do hereby certify that I have served a copy of the foregoing Motion upon each of the parties of record in this proceeding or their attorneys of record by emailing them an electronic copy or by causing a paper copy of the same to be hand-delivered or deposited in the United States Mail, postage prepaid, properly addressed to each.

This the 1st day of March, 2022.

Electronically submitted
/s/ Reita D. Coxton